

THE 3RD EAST AND SOUTHERN AFRICA KATOOMBA GROUP MEETING:
SEPTEMBER 16-20, DAR-ES-SALAAM and MOROGORO, TANZANIA

Overview

The third annual regional meeting of the East and Southern Africa Katoomba Group was held in Tanzania from September 16th – 20th, 2008. The meeting brought together over 200 actors interested in markets and payments for ecosystem services (PES). About 180 of the participants were from African countries including: Burundi, Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mozambique, South Africa, Uganda, Zambia, Zimbabwe and Tanzania.

This year's meeting provided participants with an opportunity to discuss

- **REDD readiness strategies**, including discussions around stakeholder engagement, pilot demonstration sites, capacity building / training needs; and
- **Payment for Watershed Services (PWS)** particularly challenges around the design and implementation of equitable PWS schemes in Tanzania, across the region, and around the world.

The meeting also provided hands-on capacity building through tool demonstrations. The Natural Capital Project (www.naturalcapital.org) team demonstrated their new INVEST tool for mapping and valuing ecosystem services, and ICRAF (www.worldagroforestry.org) presented a wide array of rapid ecosystem assessment tools.

The Katoomba Group Ecosystem Services Incubator—developed initially in Latin America but now being started in the region, with an initial focus on Uganda--was also presented. The Incubator aims to provide targeted technical, financial, legal and business management support to promising community-based PES projects to speed the process of bringing these projects to ecosystem service markets.

The meeting opened with a poster session where prospective ecosystem service 'sellers' from the region presented materials describing the ecosystem services at their sites.

Key Points

REDD READINESS

Following a wide range of discussions and presentations, meeting participants agreed that the following are the most important needs for REDD readiness in the region:

- **REDD pilot or demonstration activities**, especially involving community forestry, are a priority in order to inform / shape national REDD policies;

- **Clarity in REDD policies around methodology, accounting and how to channel financial flows** in order to ensure positive incentives for communities;
- **Involvement of large investors** is necessary in order to go to scale;
- **Clear incentives for the private sector to invest in REDD projects** and thus a 'nested approach' involving project level credits and national accounting seems essential;
- **Capacity building or training on REDD at all levels**, including local government, **as well as support for education and research**, was repeatedly stressed;
- **Reduction of transaction costs associated with community PES projects** (e.g., via aggregation strategies)
- **Targeting lower opportunity cost situations** so that carbon projects are viable, which will also depend critically on the carbon price, as determined by global supply and demand factors;
- **Promoting a REDD multi-sectoral approach** which includes other terrestrial carbon options, especially sustainable agriculture (given the role of agriculture in deforestation and poverty implications), agroforestry, savannah land options, 'biocarbon'. Most of Africa could lose out compared to other regions if its only forestry REDD. It should also be noted that 70% of terrestrial carbon is below ground;
- **A 'REDD Plus' approach will necessitate cross-sectoral planning and coordination**, as well as regional coordination involving, for example, regional actors like COMESA;
- **Aim to maximise REDD co-benefits – biodiversity, water, health, poverty reduction, and adaptation** (as one participant said, a good mitigation project should also be a good adaptation project); social benefits will be especially important in Tanzania's REDD program in view of the increasing areas under community forestry;
- **REDD sustainable charcoal projects have major potential in many African countries** where biomass energy is often 90% or more of total energy consumption. *(Note: The group underscored that charcoal is not a 'stand alone' issue but needs to form part of a national energy strategy.)*
- **Build on existing institutions** rather than create new institutions for REDD;
- **Trust Funds can play a key role in ensuring equitable REDD payment regimes**, which is an institutional approach that has already been applied in many African settings;

- **Key missing international ingredients are clarity on up-front financing, REDD methodologies, and more work on how to include degradation;**
- **Model(s) and clarity on what kind(s) of REDD mechanism(s) would work for the region** need to be prepared for discussion at the UNFCCC Poznan meeting in December 2008.

REDD Field Trip

About 60 participants had the opportunity to visit a potential REDD site – a 600 hectare training forest reserve under the management of Sokoine University of Agriculture and Gwata Village in Kitulangalo. This trip was led by Dr Eliakamu Zahabu of Sokoine University. Under the *Kyoto, Think Global, Act Local* project, community members have been trained to monitor carbon stock changes with the use of handheld Personal Digital Assistants (PDAs).

Reflections from the REDD field trip:

- The project demonstrates a cost-effective way to measure carbon stocks, and one that builds local capacity.
- It was observed that a more systematic approach to tree identification could be adopted, thereby improving data quality to the levels required by the carbon market.
- The presence of a largely deforested area very near the site indicates a problem of leakage. (Although the main aim of this research project is to develop the carbon monitoring methodology; various suggestions were made for the evolution of the Kitulangalo project as a potential voluntary carbon market project.)

PAYMENTS FOR WATERSHED SERVICES

The discussion on Payment for Watershed Services took place at the Private Katoomba Meeting in Morogoro. It was preceded by a field visit to the CARE/WWF Equitable Payments for Watershed Services (EPWS) project site under development in the Uluguru Mountains of the Eastern Arc. The field trip was led by Dosteus Lopa of CARE Tanzania and Iddi Mwanyoka of WWF-Tanzania. The ensuing discussion benefited particularly from PWS experts in the wider Katoomba Group network in Mexico, South Africa and USA.

Reflections from the Field Trip

- The project goals need to be clear and measurable, specifically addressing the question: What is the buyer paying for? Livelihoods or watershed protection or both?

- It is important not to over-structure the deals, or they may never happen – it is better to move to implementation and learn from it.
- The project needs to understand and respond to community needs and expectations. Communities are likely to want improved livelihoods before improved watersheds; they will also want to see some short-term benefits.
- There is no substitute for institutional presence, as it helps build relationships with the villagers and buy-in with leaders.
- It might be useful to bring in secondary buyers and a third party participant such as an NGO or regulator to assist with contracts, liability and responsibility.
- The project developers should look at a range of fund governance models and decide what would be most appropriate for the EPWS project.
- Monitoring is an important part of this process and indicators need to be clearly defined from the start.

The experts and project developers agreed to stay in touch and work together through the challenges.

THE KATOOMBA GROUP ECOSYSTEM SERVICES INCUBATOR

Participants were introduced to the Katoomba Group Ecosystem Services Incubator. The Incubator was launched in late 2007 to address the supply side of the current disconnect between the rural poor and ecosystem service markets, with an early emphasis on carbon markets. By providing targeted technical, financial and business management support to promising community-based projects with potential for long-term financial viability, the Incubator contributes to catalyzing the nascent ecosystem service market, and linking benefits to the rural poor.

The Incubator strategically invests in the project development phase, thereby enabling projects to get to the point where they can effectively engage private investors or buyers. This focus on the design and development phases of community and biodiversity-centered projects distinguishes the Incubator. The Incubator therefore addresses a niche currently under-served by other actors.

The Incubator has been active in Latin America (the current portfolio is five projects) and a regional branch was recently launched in Uganda. Identification of projects for support is currently underway in Uganda.

Response to the Incubator was very positive with countries such as Ghana, Tanzania, Malawi and Ethiopia requesting that the services of the Incubator be extended to their countries. Discussions with individual countries are on-going.

CONCLUSIONS AND PATHWAYS FORWARD

All in all, participants felt the meeting had been a great success. It was agreed that the regional Katoomba Group has grown in influence and can now be a force for PES in the region. Participants particularly appreciated the approach of bringing experts in to visit projects and provide support to project developers.

As a way forward, participants urged the following:

- Introduce a managed discussion group – where members can continue to interact and exchange lessons, opportunities and challenges
- Organize more site visits by experts and share the lessons with the wider KG network
- Expand the Incubator to other countries and regions as is possible
- Organize and facilitate more frequent meetings at the national level
- Expand subjects to include soil carbon and tree crops (e.g., shade coffee and cocoa)
- Consider holding PES seminars for university students
- Continue sharing information through newsletters

Next Meeting

The Kenyan participants offered to host the next meeting in Nairobi on a date to be agreed.